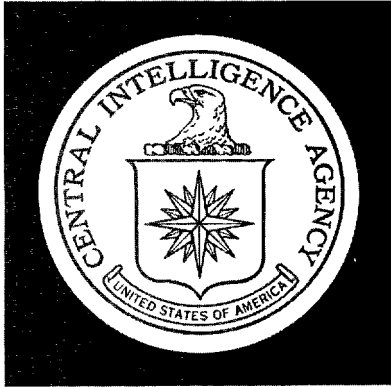


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DIRECTORATE OF  
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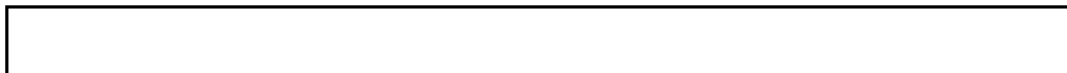
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## EASTERN EUROPE



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[ USSR-Czechoslovakia: (Information as of 2300 EDT)

The talks between the Soviet and Czechoslovak leaders entered their fourth day today amid reports that an agreement is imminent.

The official Soviet description of yesterday's talks was no warmer than previously--"frank and comradely"--but the reported arrival in Moscow of the East German, Polish, Hungarian, and Bulgarian party leaders suggests an agreement may be near. They will probably be called in, as they were earlier this month at Bratislava, to place their formal stamp of approval on the agreement.

Unconfirmed press reports claim that major elements of an agreement have been worked out. They include the release of all Czechoslovaks under arrest, presumably including those regime leaders who have been detained, an enforced limit on the freedom of the press and radio, and the maintenance of some Warsaw Pact forces in Czechoslovakia for an indefinite period.

The mood in Prague and throughout the country, meanwhile, continues tense. There is a feeling of gloom, apparently stemming from doubts that the Moscow talks will end in Czechoslovakia's favor. There were several scattered incidents of violence in the capital yesterday. The Embassy commented that the occupation was becoming uglier, possibly because of an influx of new troops over the night of 24-25 August. This influx probably was part of a reinforcement, although some of the original occupation forces may also have been rotated.

In Bratislava, the Slovak party central committee yesterday reversed its decision, taken only last Friday, to convene its congress as scheduled today. The Slovaks have decided to await the return from Moscow of Czechoslovak party leader Dubcek ]

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[ and the rest of the delegation. The reversal tends to confirm reports over the weekend that several Slovak party leaders have joined the delegation in Moscow.

Over the weekend the Soviet press showed new signs of defensiveness in its voluminous coverage of Czechoslovak events. The press seemed to be backing away from the claim that the "Warsaw Five" was invited to intervene, and came close to admitting that Soviet occupation forces are meeting difficulties. A lead editorial and an article in Pravda on 25 August emphasized a need for increased indoctrination of the Soviet occupation troops, suggesting that a serious morale problem has arisen because of the unremitting and pervasive hostility of the people.

Moscow's press also has continued to use strong language against Yugoslavia and Rumania, linking them with the NATO powers and Communist China as opponents of the intervention. There is still no hard evidence, however, that the Soviets intend to intervene elsewhere in Eastern Europe. [REDACTED]

[REDACTED] (Map) ]

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Yugoslavia-Rumania: The invasion of Czechoslovakia has shattered the fragile facade of unity between Eastern Europe's orthodox and independent-minded Communist regimes.

In a conversation with the US ambassador on 23 August, Yugoslavia's President Tito said that Yugoslav-Soviet relations from now on would be devoid of the trust and confidence that had been slowly building up. Tito appears to believe that the Soviet decision to intervene in Czechoslovakia will be more damaging to international Communism than was Yugoslavia's expulsion from the Cominform in 1948.

There also are signs that Rumania's relations with its nominal allies in the Warsaw Pact have suffered a further decline. For the first time Rumanian leader Ceausescu has been attacked by name in the Soviet and Hungarian press. Moreover, the Soviet bloc was represented at Rumanian National Day receptions on 23 August at various diplomatic posts mainly by lower level officials. In contrast with previous years, no press commentary on the Rumanian anniversary appeared in the Polish press.

In the face of mounting criticism, Tito and Ceausescu "exchanged views" on 24 August at the Yugoslav border town of Vrsac. The two leaders presumably coordinated future contingency plans in the light of the Czechoslovak crisis.

Rumania and Yugoslavia, having demonstrated their firm adherence to principle, probably will not take any further steps that would overdramatize their position, and certainly would not wish to risk provoking the Soviet Army into action. Bucharest has denied that its army is mobilized, and a number of Rumanian officials, including Premier Maurer, do not see any "immediate" danger of armed intervention in Rumania. [ There is no hard evidence of any military build-up along Rumania's frontiers. ]

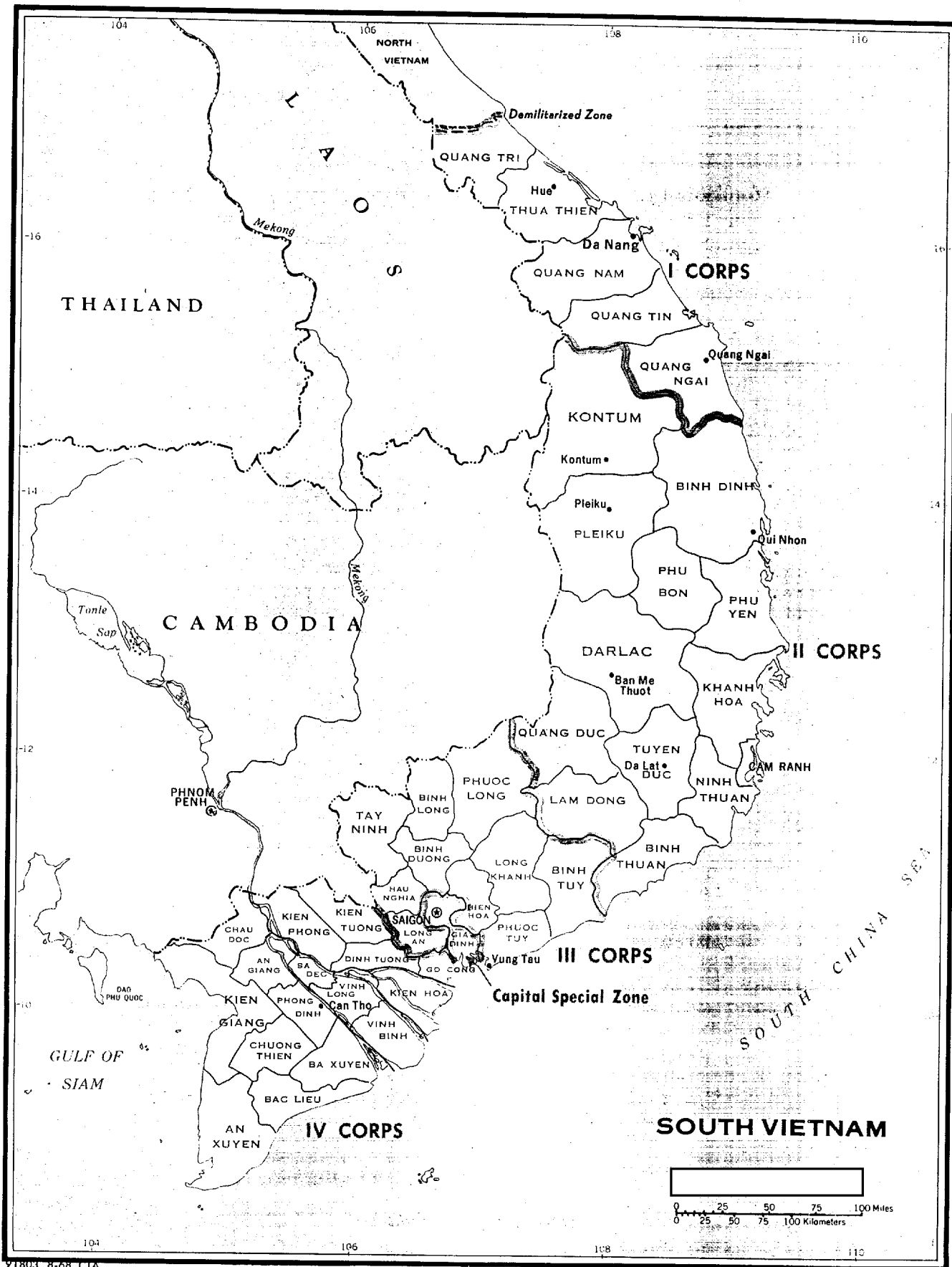
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[ South Vietnam: Communist forces continued to press the apparent initial phase of their long-anticipated "third general offensive" over the weekend as widespread ground assaults and shellings were reported against allied positions throughout much of the country.

In the northern provinces, enemy forces maintained heavy pressure on the main routes leading to Da Nang, Hoi An, and Tam Ky. More than 600 Communists were reported killed in a series of battles in these areas. With the exception of sporadic heavy skirmishes in western Quang Tri Province, allied bases along the Demilitarized Zone as well as the provincial capitals of Quang Tri City and Hue remained relatively free of major enemy activity.

An attack by a North Vietnamese regular force of regimental size against the allied Special Forces camp and district headquarters compound at Duc Lap in Quang Duc Province generally overshadowed all other enemy activity in the II Corps area. A multi-battalion Viet Cong probe, however, was reported near Phan Thiet, the capital of Binh Thuan Province.

In the action at Duc Lap, which began on 23 August and is still in progress, the Communists appear to be making a determined effort to draw sizeable allied reinforcements to the scene from nearby Ban Me Thuot in order to allow the North Vietnamese 1st Division to mount an attack on the Darlac provincial capital. The effort thus far has cost the enemy 117 killed. Duc Lap's defenders have lost 79 killed and 113 wounded.

Although enemy pressure against the allied bases of Loc Ninh, Song Be, and Dau Tieng in the outer provinces of III Corps continued unabated, Saigon and its environs remained generally untouched. ]

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[redacted] however, continue to reflect the planned movement of large-scale Communist forces toward the capital in preparation for possible attacks in early September.

Viet Cong forces in the delta generally confined their weekend activities to small-scale ground probes and widespread mortar shellings, although one heavy engagement involving three main force battalions was reported near the district capital of Cai Lay in Dinh Tuong Province.

The enemy's current offensive thus far has been marked for the most part by the use of economy-force tactics against allied targets of secondary importance in generally outlying areas. These tactics, in addition to holding down enemy casualties, appear largely diversionary in character--designed mainly to weaken the defense of major objectives by forcing allied deployments to areas under siege.

The staggered geographical nature of the attacks, starting in III Corps on 18 August and shifting to the delta and thence to the northern provinces and highlands area, suggests that the Communists intend to sustain this offensive over a prolonged period as well as to confuse and complicate the allied response.

These developments suggest that the main event--an all-out attack against Saigon or other key urban centers--may follow a lengthy softening and probing effort, unless pre-empted by allied spoiling operations or unacceptable enemy casualties. [redacted] (Map) ]

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Israel-Jordan: Israel has issued new threats which have aroused Jordanian fears of further reprisal attacks.

Israeli airplanes dropped leaflets on northern Jordanian towns and on the outskirts of Amman on 24 August. According to the American Embassy in Amman, rough translations stated that "this leaflet which has come to you could at the same time have been a bullet, a bomb, or a missile if we had wished it." The Israelis cited the fate of captured saboteurs and stated that "the Israeli Defense Forces will hit the terrorists anywhere at any time." The pamphlet concluded with the threat that "anyone of you that wants peace and tranquility must throw them (the terrorists) out, and whoever does not do so, he must know that we have warned him and that we will bring down destruction on his head after this warning."

The Israelis certainly have been made aware of King Husayn's inability to control terrorist activity. They may well be planning to follow these warning pamphlets with another assault against Jordanian territory. Israel is easily capable of mounting a sudden raid into Jordan with no advance warning, as has been proved several times in the recent past. At the same time, the Jordanians are unable militarily to counter such attacks. [REDACTED]

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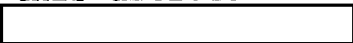
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West Germany - NPT: Bonn has stated that it will postpone indefinitely signature of the nuclear nonproliferation treaty, using as a pretext the Soviet intervention in Czechoslovakia. In his announcement yesterday, Chancellor Kiesinger also stressed that before West Germany can adhere to the treaty, there must be a clarification of the so-called "hostile states" article (Article 53) in the UN charter, which Bonn believes could conceivably be used by Moscow to justify military intervention in West Germany. The article in question concerns procedures for dealing with a renewed "aggressive policy" on the part of one of the axis powers in World War II. German sensitivities were recently aroused when the Soviets referred to this article in a diplomatic exchange with Bonn. 

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Malaysia: The sentences of 11 Chinese condemned to death for collaborating with Indonesia during the confrontation period were commuted to life imprisonment on 24 August. This should appease the Chinese community, but some of the more militant young Malays will probably denounce the decision. If the sentences of two Malays condemned to hang on similar charges are not soon commuted, the possibility of communal strife will be enhanced. 

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South Korea: Continuation of a two-year drought in South Korea will necessitate record rice imports this year. Seoul reportedly is trying to obtain some 400,000 to 450,000 tons in addition to the 200,000 tons it has already imported. Because of foreign exchange shortages, South Korea wants to acquire the rice from the US under PL 480 and from Japan on a barter basis. The country normally is almost self-sufficient in rice. [REDACTED]

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Brazil: The government devalued the cruzeiro by 12 percent on 21 August. This move merely continues the economic policy adopted in 1964 of devaluing the cruzeiro as domestic prices rise to maintain Brazil's competitive position in international markets, and will not create a political problem. Since the last devaluation, in December 1967, domestic prices have risen by nearly 16 percent. [REDACTED]

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